



This document is scheduled to be published in the Federal Register on 06/30/2016 and available online at <http://federalregister.gov/a/2016-15517>, and on FDsys.gov

Billing Code: 5001-06

DEPARTMENT OF DEFENSE

Office of the Secretary

(Transmittal No. 16-17)

36(b)(1) Arms Sales Notification

AGENCY: Department of Defense, Defense Security Cooperation Agency.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996.

FOR FURTHER INFORMATION CONTACT: Chandelle K. Parker, DSCA/LMO, (703) 697-9027.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 16-17 with attached Policy Justification and Sensitivity of Technology.

Dated: June 27, 2016.

Aaron Siegel,
Alternate OSD Federal Register Liaison Officer,
Department of Defense.



DEFENSE SECURITY COOPERATION AGENCY
201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5408

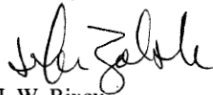
MAY 27 2016

The Honorable Paul D. Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 16-17, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance to the Government of Australia for defense articles and services estimated to cost \$301 million. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,


for J. W. Rixey
Vice Admiral, USN
Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology



Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

(i) Prospective Purchaser: Government of Australia

(ii) Total Estimated Value:

Major Defense Equipment* \$216 million

Other \$85 million

TOTAL \$301 million

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):

Up to eighty (80) STANDARD Missile, SM-2 Block IIIB Vertical

Launching Tactical All-Up Rounds, RIM-66M-09

Up to fifteen (15) MK 97 SM-2 Block IIIB Guidance Sections (GSs)

Non-MDE:

This request also includes the following Non-MDE: MK 13 MOD 0 Vertical Launching System Canisters, operator manuals and technical documentation, U.S. Government and contractor engineering, technical and logistics support services.

(iv) Military Department: Navy (AMM)

(v) Prior Related Cases, if any: AT-P-AYR-28 JUL 10-\$39,499,569, AT-P-LCY-30 APR 05-\$221,521,728, AT-P-GSQ-22 APR 11-\$58,842,285

(vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Annex attached

(viii) Date Report Delivered to Congress: 27 May 2016

*as defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

Australia –SM-2 Block IIIB STANDARD Missiles

The Government of Australia requested a possible sale of:

Major Defense Equipment (MDE):

Up to eighty (80) STANDARD Missile, SM-2 Block IIIB Vertical Launching Tactical All-Up Rounds, RIM-66M-09

Up to fifteen (15) MK 97 SM-2 Block IIIB Guidance Sections (GSs)

This request also includes the following Non-MDE: MK 13 MOD 0 Vertical Launching System Canisters, operator manuals and technical documentation, U.S. Government and contractor engineering, technical and logistics support services.

The total estimated value of MDE is \$216 million. The total overall estimated value is \$301 million.

Australia is one of the major political and economic powers in Southeast Asia, a key democratic partner of the United States in ensuring regional peace and stability, a close coalition ally in major/lesser regional contingency operations, and a close cooperative and international exchange agreement partner. It is vital to U.S. national interests that Australia develops and maintains a strong and ready self-defense capability. This sale is consistent with U.S. regional objectives.

The SM-2 Block IIIB missiles proposed in this purchase will be used for anti-air warfare test firings during Combat Systems Ship Qualification Trials for the Royal Australian Navy's three new Air Warfare Destroyers (AWD) currently under construction). The SM-2 Block IIIB missiles, combined with the Aegis combat systems in the AWDs, will provide significantly enhanced area defense capabilities over critical South East Asian air-and-sea-lines of communication. Australia has already integrated the SM-2 Block IIIA into its Perry-class FFGs and recently upgraded its Intermediate-Level Maintenance Depot at Defense Establishment Orchard Hills with new guided missile test equipment capable of maintaining the SM-2 All-Up Round. Australia will have no difficulty absorbing these new missiles.

The proposed sale of this equipment and support will not alter the basic military balance in the region.

The principal contractors will be Raytheon Missile Systems Company, Tucson, Arizona; Raytheon Company, Camden, Arkansas; and BAE of Minneapolis and Aberdeen, South Dakota. There are no known offset agreements proposed in connection with this potential sale.

Implementation of this sale will not require the assignment of any U.S. or contractor representatives to Australia.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 16-17

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act

Annex
Item No. vii

(vii) Sensitivity of Technology:

1. A completely assembled STANDARD Missile-2 (SM-2) Block IIIB with or without a conventional warhead, whether a tactical, telemetry or inert (training) configuration, is classified CONFIDENTIAL. Missile component hardware includes: Guidance Section (classified CONFIDENTIAL), Target Detection Device (classified CONFIDENTIAL), Warhead (UNCLASSIFIED), Rocket Motor (UNCLASSIFIED), Steering Control Section (UNCLASSIFIED), Safe and Arming Device (UNCLASSIFIED), Autopilot Battery Unit (classified CONFIDENTIAL), and if telemetry missiles, AN/DKT-71 Telemeters (UNCLASSIFIED).

2. SM-2 operator and maintenance documentation is usually CONFIDENTIAL. Shipboard operation/firing guidance is generally CONFIDENTIAL. Pre-firing missile assembly/pedigree information is UNCLASSIFIED.

3. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures that might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

4. A determination has been made that Australia can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

5. All defense articles and services listed in this transmittal have been authorized for release and export to the Government of Australia.